

## OVERVIEW

### International Developments

In May 2012, the US dollar, on average, appreciated vis-à-vis the euro and the Pound sterling but depreciated against the Japanese yen.

The euro depreciated against the US dollar in May 2012, trading at an average of US\$1.2798 compared to an average of US\$1.3160 in April 2012. The European Central Bank kept rates steady at 1 per cent as expected on 3 May. The euro came under pressure as political deadlock in Greece threatened its rescue deal and raised the spectre of the country risking insolvency and leaving the euro zone. The common currency fell to a two-year low of \$1.2324 at the end of the month, as worries about Spain's soaring borrowing costs and expectations that more spending might be needed to support its ailing banks added stress to markets already battered by anxiety about Greece.

The Pound sterling depreciated against the US dollar in May 2012, trading at an average of US\$1.5921 compared to an average of US\$1.5996 in April 2012. Sterling slipped as concerns about the euro zone fanned broad demand for the safe haven greenback and after a dovish Bank of England Inflation Report and poor UK manufacturing data left the door open for more quantitative easing.

Global equities suffered heavy losses in May 2012. US stocks closed out their worst month since September 2011, European shares fell near a five-month closing low, while UK shares suffered their worst month in more than three years as persistent fears over the euro zone, weak US and Chinese data drove investment out of equities into cash and bonds. Over the month, the Dow Jones Industrial Average, NASDAQ, FTSE, CAC-40 and Nikkei fell by 6.2 per cent, 7.2 per cent, 7.5 per cent, 6.1 per cent and 10.3 per cent, respectively. Among emerging stock markets, Shanghai SEC, Bombay SENSEX and JALSH dropped 1.0 per cent, 6.4 per cent and 3.7 per cent, respectively.

On the New York Mercantile Exchange, crude oil averaged US\$94.7 a barrel in May 2012, down from US\$103.3 a barrel in April 2012. In London, ICE Brent Crude, on average, fell from US\$120.5 a barrel in April 2012 to US\$110.4 a barrel in May 2012. Both NYMEX and ICE Brent Crude settled at intra-month peaks of US\$106.2 a barrel and US\$ 119.7 a barrel, respectively, on 1 May 2012.

COMEX gold futures averaged US\$1,587.9/Oz in May 2012, down from US\$1,651.7/Oz in April 2012. Gold prices varied in an intra-month closing range of US\$1,538.9/Oz-1,662.4/Oz in May 2012 compared to US\$1,614.1/Oz-1,680.6/Oz in the preceding month. US Gold achieved its high of US\$1,662.4/Oz on 1 May 2012.

### **Domestic Developments**

Tourist arrivals in April 2012 went down marginally from 79,173, a year earlier, to 79,137. Gross tourist receipts increased by 12.4 per cent, from Rs3,361 million in April 2011 to Rs3,778 million in April 2012. In the year May 2011 to April 2012, tourist arrivals increased by 0.2 per cent to 963,975 compared to 961,858 recorded over the previous corresponding period. Tourist receipts for the period May 2011 to April 2012 rose by 11.2 per cent to Rs45,132 million compared to Rs40,583 million registered over the previous corresponding period.

The Consumer Price Index (CPI) remained unchanged at 132.5 in May 2012. The increase in the index of “other food products” (0.1 index point) was fully offset by a decrease in the index of “fruits” (0.1 index point). An increase of 0.1 per cent was recorded for the following divisions: “Alcoholic beverages and tobacco”, “Transport”, “Recreation and culture” and “Restaurants and hotels”. “Clothing and footwear”, “Housing, water, electricity, gas and other fuels”, “Furnishings, household equipment and routine household maintenance”, “Health” and “Communication” recorded decreases of 0.1 per cent, 0.2 per cent, 0.3 per cent, 0.1 per cent and 0.1 per cent, respectively, while “Food and non alcoholic beverages”, “Education” and “Miscellaneous goods and services” recorded no change in their indices.

The rate of inflation for the twelve-month period ended May 2012 stood at 5.3 per cent, down from 5.6 per cent for the twelve-month period ended April 2012. Year-on-Year inflation rate remained unchanged at 3.8 per cent in May 2012.

Between April 2012 and May 2012, for the twelve month period, CORE1 inflation fell from 5.0 per cent to 4.6 per cent, while CORE2 inflation decreased from 4.1 per cent to 3.8 per cent. TRIM10 inflation stood at 3.8 per cent in May 2012, down from 4.1 per cent for the twelve-month period ended April 2012.

Net foreign assets of depository corporations went up by Rs394 million, or 0.1 per cent, from Rs396,815 million at the end of March 2012 to Rs397,208 million at the end of April 2012. Net foreign assets of the other depository corporations went up by Rs799 million to Rs321,848 million as at end-April 2012 while the net foreign assets of the Bank of Mauritius decreased by Rs405 million to Rs75,361 million as at end-April 2012.

Domestic claims of depository corporations, including claims on GBL holders, increased by Rs5,046 million, or 1.4 per cent, from Rs356,246 million at the end of March 2012 to Rs361,292 million at the end of April 2012. Net claims on budgetary central Government decreased by Rs797 million, or 1.7 per cent, from Rs47,707 million at the end of March 2012 to Rs46,910 million at the end of April 2012. Claims on other sectors, that is, credit to the private sector went up by Rs5,844 million, or 1.9 per cent, to Rs314,382 million in April 2012.

Net claims on budgetary central Government from the Bank of Mauritius rose by Rs486 million, from negative Rs3,544 million at the end of March 2012 to negative Rs3,058 million at the end of April 2012 and net claims on budgetary central Government from other depository corporations fell by Rs1,284 million, or 2.5 per cent, from Rs51,252 million to Rs49,968 million.

Broad Money Liabilities (BML) went up by Rs547 million, or 0.2 per cent, from Rs335,118 million at the end of March 2012 to Rs335,665 million at the end of April 2012.

The monetary base decreased by Rs90 million, or 0.2 per cent, from Rs44,744 million at the end of March 2012 to Rs44,654 million at the end of April 2012. Currency in circulation went up by Rs77 million, or 0.4 per cent, from Rs21,862 million to Rs21,939 million whereas liabilities to other depository corporations went down by Rs188 million, or 0.8 per cent, from Rs22,651 million to Rs22,463 million.

In May 2012, the Bank issued Government of Mauritius Treasury Bills for a total nominal amount of Rs3,305 million against a total tender amount of Rs3,800 million through the auctions of single maturity instruments. There was a net issue of Treasury Bills for Rs435 million in May 2012 compared to net maturing Treasury Bills for Rs1,045 million in April 2012. The frequency of auctions for the 273-Day and 364-Day was higher with three and four auctions carried out, respectively, whilst only one auction for 91-day and two auctions for 182-Day maturity were held during the month. The Bank continued its offer to buy-back Bank of Mauritius Notes from commercial banks.

The weighted yields on the Treasury Bills continued their downtrend in May 2012. As compared to the last auctions held in April 2012 for the various maturities, the weighted yields of the 91-day and 182-day decreased by 8 basis points and 10 basis points to 3.30 per cent and 3.49 per cent, respectively, at the last auctions held in May 2012. As for the weighted yields of the 273-day and 364-day Treasury Bills, they decreased by 12 basis points each from end April 2012 to 3.64 per cent and 3.81 per cent, respectively, as at end May 2012.

The overall weighted yield for May 2012 stood at 3.71 per cent down from 3.77 per cent for April 2012.

The Three-Year Government of Mauritius Treasury Notes with coupon rate of 5.50 per cent which was first issued on 19 October 2011 was re-opened for the third time at an auction on 23 May 2012 for issue on 25 May 2012. Out of the 37 bids received for a total nominal amount of Rs3,300.5 million, 12 bids for a total nominal amount of Rs1,400 million were accepted. The lowest yield received and the highest yield accepted were 4.89 per cent and 5.12 per cent, respectively, whilst the weighted yield on accepted bids was 5.01 per cent.

During the month under review, Rs2.55 million worth of Treasury Bills were sold over the counter at the Bank to members of the public. On the secondary market, the amount transacted by primary dealers declined from Rs1,063.3 million in April 2012 to Rs394.8 million in May 2012.

Transactions on the overnight interbank money market in May 2012 totalled Rs15,375 million down from Rs22,085 million in April 2012. The daily average amount transacted stood at Rs496 million in May 2012 compared to a daily average of Rs736 million in April 2012. Transactions with a high of Rs1,680 million and a trough of Rs50 million to ensure standardisation were recorded in May 2012. The weighted average overnight interbank rate stood at 1.59 per cent in May 2012, down from 1.87 per cent in April 2012.

During the period under review, the Bank intervened on the domestic foreign exchange market and purchased an equivalent of USD53.1 million, whilst it sold USD34.4 million to its customers.

The amount outstanding under the Special Line of Credit made available to Small and Medium Planters was repaid as at end of May 2012.

The weighted average dealt selling rates of the rupee, which are calculated on the basis of transactions of US\$30,000 and above, or the equivalent in other foreign currencies conducted by banks and Bank of Mauritius, depreciated, on average, against the US dollar and the Pound sterling but appreciated against the Euro between April and May 2012.

At the end of May 2012, the gross foreign exchange reserves of the Bank of Mauritius decreased to Rs78,081 million from Rs78,995 million as at end-April 2012. The end-May 2012 level of gross official international reserves of the country, based on the value of imports of goods, *fob* and non-factor services for the year 2011, represented 4.5 months of imports, unchanged from April 2012.